

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

EXAMINATION REPORT  
OF  
INDIANA STATE ARMORY BOARD  
July 1, 2003 to June 30, 2006



**FILED**  
11/22/2006



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## OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Adjutant General	Major General George A. Buskirk, Jr. Major General R. Martin Umbarger	11-05-01 to 03-10-04 03-11-04 to 01-11-09
President	Major General Robert G. Moorehead, Retired	01-12-81 to 01-11-09



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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## INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA STATE ARMORY BOARD

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Indiana State Armory Board (Board), for the period of July 1, 2003 to June 30, 2006. The Board's management is responsible for the schedules. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Board for the years ended June 30, 2004, 2005, and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 4, 2006

INDIANA STATE ARMORY BOARD  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
As Of And For The Years Ended June 30, 2004, 2005, And 2006

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Cash and investments, July 1	\$ 6,913,636	\$ 6,164,285	\$ 5,981,643
Receipts:			
Federal reimbursements	5,548,025	5,057,287	5,276,069
Interest income	131,084	111,105	172,075
Rental income	522,878	510,585	597,732
Sales	69,491	73,710	56,724
Miscellaneous reimbursements	<u>238,224</u>	<u>492,543</u>	<u>632,215</u>
Total receipts	<u>6,509,702</u>	<u>6,245,230</u>	<u>6,734,815</u>
Disbursements:			
Services by contract	2,299,219	2,387,007	2,456,178
Materials, parts and supplies	273,742	288,585	212,689
Equipment	121,400	94,128	95,807
Land, buildings and improvements	1,603,006	1,590,460	1,451,002
Other	431,038	544,451	503,915
Transfers to primary government	<u>2,530,648</u>	<u>1,523,241</u>	<u>1,816,438</u>
Total disbursements	<u>7,259,053</u>	<u>6,427,872</u>	<u>6,536,029</u>
Excess of receipts over disbursements	<u>(749,351)</u>	<u>(182,642)</u>	<u>198,786</u>
Cash and investments, June 30	<u>\$ 6,164,285</u>	<u>\$ 5,981,643</u>	<u>\$ 6,180,429</u>

The accompanying notes are an integral part of the schedules.

INDIANA STATE ARMORY BOARD  
NOTES TO SCHEDULES

Note 1. Introduction

The Indiana State Armory Board was established under the laws of the State of Indiana (IC 10-16-3) to provide, manage and care for armories for the use of the military and naval forces of Indiana. Revenues are received from federal reimbursements, state appropriations, rental of properties, interest on investments, and other miscellaneous sources.

Note 2. Fund Accounting

The Board uses the cash basis of accounting to report on its cash and investments and the results of its operations.

The accompanying schedule is prepared on the basis of cash receipts and cash disbursements. Operating receipts and disbursements are cash inflows and outflows related to daily operations of the Board. The cash basis of accounting differs from accounting principals generally accepted in the United States in that receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the schedule.

Note 3. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Board to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds.

INDIANA STATE ARMORY BOARD  
EXAMINATION RESULT AND COMMENT  
June 30, 2006

OFFICIAL BOND

An official bond was never obtained for the current Adjutant General upon his taking office in March of 2004. An application was filed for his official bond; however, the bond was never received. Subsequent to the examination period, the application for the bond was resubmitted. The bond will be retroactive to the beginning of his term when it is issued.

Indiana Code 10-16-2-8 states in part: "The adjutant general shall do the following: . . . (2) Give bond with surety to the state, to the approval of the governor, in the sum of ten thousand dollars (\$10,000) for the faithful discharge of the duties of the office of adjutant general."



INDIANA STATE ARMORY BOARD  
EXIT CONFERENCE

The contents of this report were discussed on October 11, 2006, with Major General R. Martin Umbarger, Adjutant General; and Colonel (Retired) David Shorter, Controller. The official response has been made a part of this report and may be found on page 8.



INDIANA  
JOINT FORCES HEADQUARTERS  
NATIONAL GUARD  
2002 SOUTH HOLT ROAD  
INDIANAPOLIS, INDIANA 46241-4839



October 23, 2006

State Controller's Office

SUBJECT: Official Response, Audit, State Armory Board, October 11, 2006

State Board of Accounts  
ATTN: Mr. Bruce Hartman  
302 West Washington Street, Room E-418  
Indianapolis, Indiana 46204-2738

Dear Sir:

Reference State Armory Board results and comments out-briefed to Major General R. Martin Umbarger and staff on October 11, 2006 by Ms. Jenny Carmack.

The following comment and action is hereby forwarded.

An official bond was never obtained for the current Adjutant General, Major General R. Martin Umbarger, upon taking office. Upon discovery, the agency researched this issue to determine the facts. An oversight between the Controller's office and the Bonding Company occurred in Accounting. The Bonding Company acknowledged the problem and is issuing the bond retroactive to March 2004. This oversight has been corrected.

Point of contact for additional information concerning this issue is the undersigned at telephone number 317.247.3254.

Sincerely,

A handwritten signature in black ink, appearing to read "David T. Shorter".

David T. Shorter  
Colonel, AUS Retired  
State Controller

Copy Furnished:

Major General R. Martin Umbarger, The Adjutant General  
Major General (Retired) Robert G. Moorhead, President, State Armory Board  
Colonel Wayne C. Hill, Chief of Staff, Joint Forces Headquarters - Indiana